

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 FEA-01

INT-05 /087 W

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P R 311600Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7079

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 9711

E. O. 11652: N/A

TAGS: PINT, PFOR, EGEN

SUBJECT: PRESIDENT'S YEAR-END REVIEW SPEECH CONTAINS NO
SURPRISES

SUMMARY: PREEIDENT GEISEL'S YEAR-END REVIEW SPEECH CONTAINED
NO SURPRISES. PRAISING THE ORDERLINESS, FREE ATMOSPHERE,
AND RELATIVELY HIGH VOTER PARTICIPATION OF THE NOVEMBER
ELECTIONS, GEISEL DECLARED THERE WAS NO REASON FOR
RESENTMENT AT THE OPPOSITION MDB VICTORIES, WHICH HE
SAID SERVIED TO LEGITIMIZE THE GOVERNMENT PARTY'S OVERALL
MAJORITY. HE EXPRESSED SUPPORT FOR THE TWO-PARTY SYSTEM
AND CONFIDENCE THAT PRESENT STRUCTURE CAN BE IMPROVED TO REACH
"SATISFACTORY PLATFORM OF OPERATIONALITY IN A GENUINELY DEMOCRA-
TIC FRAMEWORK", BUT ALSO DECLARED HE WOULD NOT ONLY NOT REPEAT
NOT RELINQUISH EXCEPTIONAL MEASURES BUT WOULD USE THEM
WHENEVER NECESSARY. BRIEF MENTION OF FOREIGN POLICY
SIMPLY RATIFIED "RESPONSIBLE AND ECUMENICAL PRAGMATISM".
GEISEL FOLLOWED ESTABLISHED LINES IN NOTING EXISTENCE
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OF ECONOMIC DIFFICULTIES (MOSTLY FROM ABROAD) BUT

EXPRESSED OPTIMISM THAT THE BRAZILIAN ECONOMY CAN CONTINUE TO PUT IN EXCELLENT PERFORMANCE DESPITE THE WORLD-WIDE PROBLEMS OF INFLATION, STAGNATION AND UNEMPLOYMENT. END SUMMARY.

1. POLITICAL HIGHLIGHTS: REGARDING THE NOVEMBER ELECTIONS, GEISEL CONFIRMED THE PREVIOUSLY ESTABLISHED THEME ACCORDING TO WHICH THE GOVERNMENT TAKES FULL CREDIT FOR THEIR ORDERLINESS AND FREE EXPRESSION. GEISEL CONGRATULATED THE PEOPLE FOR THEIR MASSIVE TURN-OUT (NOTING THAT IT EFFECTIVELY REBUTTED THE REVOLUTION'S DOMESTIC AND FOREIGN DETRACTORS) AND IN PARTICULAR THE YOUTH FOR THUS TAKING PART IN THE COUNTRY'S POLITICS. (THIS LAST POINT SEEMS A PARTICULARLY STATESMAN-LIKE GESTURE IN VIEW OF THE WIDESPREAD AGREEMENT THAT THE YOUTH VOTE CONTRIBUTED HEAVILY TO THE OPPOSITION MDB'S STRONG SHOWING.) GEISEL DECLARED THERE WAS NO REASON FOR RESENTMENT AT, NOR DID HE EVEN FEEL HESITATION IN NOTING, THE "SUBSTANTIAL ADVANCE" REGISTERED BY THE MDB, AND HE PRAISED THE PARTY'S NEWLY DISPLAYED SENSE OF SELF-DISCIPLINE AND RESPONSIBILITY. THE GOVERNMENT ARENA PARTY SHOULD NOT BE DISMAYED, HE WENT ON, AT THE MDB'S VICTORIES, WHICH HE SAID SERVED TO LEGITIMIZE ARENA'S MORE NUMEROUS ONES. GEISEL CRITICIZED ARENA'S TENDENCY TO FEEL ITSELF A MONOPOLY, GOING ON TO REJECT BOTH A ONE-PARTY STATE AND THE IDEA OF THIRD OR FOURTH PARTIES IN FAVOR OF THE CURRENT TWO-PARTY SYSTEM. HE EXPRESSED CONFIDENCE THAT "THE CURRENT STRUCTURE CAN BE IMPROVED AND REACH AT THE END A SATISFACTORY PLATFORM OF OPERATIONALITY IN A GENUINELY DEMOCRATIC FRAMEWORK". CHARACTERISTICALLY REJECTING "IRRESPONSIBLE ATTITUDES OF PURE DEFIANCE (CONTESTACAO)", HOWEVER, GEISEL DECLARED HE WILL NOT RELINQUISH THE EXCEPTIONAL INSTRUMENTS (E.G. INSTITUTIONAL ACT 5) BUT RATHER IS DISPOSED TO USE THEM WHENEVER NECESSARY. COMMENT: THIS ONE-HAND, OTHER-HAND APPROACH HAS BEEN CHARACTERISTIC OF THE GEISEL ADMINISTRATION SINCE ITS INCEPTION. IN THIS CASE, THE MDB COULD NOT HAVE ASKED FOR A LIMITED OFFICIAL USE

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MORE FRANK, :-), AND COMPREHENSIVE ACKNOWLEDGMENT OF THE FACTS OF THE NOVEMBER ELECTIONS, AND DEMOCRATS WILL BE ENCOURAGED BY HIS REMARKS ON DEMOCRATIC IMPROVEMENT. HARD-LINERS, CONVERSELY, WILL TAKE HEART FROM HIS ASSURANCES ON IA-5. END COMMENT:

2. FOREIGN AFFAIRS: THE SPEECH'S ONLY REFERENCE TO FOREIGN AFFAIRS (ASIDE FROM ECONOMIC MATTERS)

CAME IN ONE RATHER ABSTRACT PARAGRAPH. IN THIS REGARD, SAID GEISEL, "THE GOVERNMENT WAS ABLE TO ACT WITH GREATER FREEDOM OF ACTION ... FOR UNPOSTPONABLE READJUSTMENTS IN OUR RELATIONSHIP WITH VARIOUS STRATEGIC AREAS AND IT HAS SOUGHT, ABOVE ALL, FROM THE FIRST MOMENT, TO UNDO UNDERLYING ERRORS IN THE FRAMEWORK OF OUR RELATIONS WITH VARIOUS FRIENDLY COUNTRIES AND, AT THE SAME TIME, TO BROADEN TO THE MAXIMUM THE SPREAD OF ALTERNATIVES FOR OUR INTERNATIONAL TRADE AND FOR THE CULTURAL AND POLITICAL INTERCHANGE WITH OTHER PEOPLES, ACCORDING TO THE FORMULA WHICH WOULD END UP BEING CHARACTERIZED AS THAT OF 'RESPONSIBLE AND ECUMENICAL PRAGMATISM'. BRAZIL THUS CONTINUED, CONSCIOUSLY AND INCREASINGLY, TO EXERCISE THE ROLE FITTING TO IT IN THE WORLD CONTEXT, WITHOUT INOPPORTUNE PREJUDICES AND WITHOUT UNJUSTIFIED FEARS, IN THE DEFENSE OF ITS OWN INTERESTS AND OF INTERNATIONAL PEACE". COMMENT: THIS CODE-LIKE LANGUAGE, BY NOW WELL ESTABLISHED, ESSENTIALLY COVERS FOUR POINTS: THE RE-ESTABLISHMENT OF RELATIONS WITH CHINA, THE DRIVE FOR INCREASED EXPORTS TO THE SOVIET UNION AND EASTERN EUROPE, A MORE PRO-ARAB STANCE, AND A CANDID DISPOSITION TO DISAGREE WITH THE U.S. AS APPEARS INDICATED BY BRAZIL'S OWN PRACTICAL INTERESTS. END COMMENT.

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ACTION ARA-10

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NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7080

INFO AMCONSUL RIO DE JANEIRO
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3. ECONOMIC HIGHLIGHTS: GEISEL'S MAJOR THEME ON THE ECONOMIC FRONT WAS THAT THE BRAZILIAN ECONOMY HAS THE POTENTIAL TO CONTINUE TO MOVE AHEAD AND TO ACCOMPLISH MANY OF THE OBJECTIVES OF THE SECOND NATIONAL DEVELOPMENT PLAN DESPITE THE WORLDWIDE PROBLEMS OF INFLATION, STAGNATION AND UNEMPLOYMENT. HE CLAIMED THAT BRAZIL MOVES INTO 1975 IN A STRONG POSITION TO MEET THE ECONOMIC DIFFICULTIES AHEAD, WHICH ARE PRIMARILY OF FOREIGN ORIGIN. PRESIDENT LISTED POSITIVE ASPECTS OF BRAZIL ECONOMIC SITUATION AS FOLLOWS: INFLATION IS UNDER CONTROL, THERE IS NO UNEMPLOYMENT, GOOD HARVESTS ARE EXPECTED FROM NORTH TO SOUTH, AND INDUSTRY CONTINUES TO EXPAND. IN ADDITION, NEW AND IMPORTANT MINERAL RESERVES (IRON ORE, MANGANESE, ZINC, BAUXITE, KAOLINE, AND PHOSPHATE) ARE BEING DISCOVERED ON A LARGE SCALE AND ARE PRESENTLY BEING EVALUATED SO THAT THEIR EXPLORATION AND DEVELOPMENT CAN BE UNDERTAKEN RAPIDLY. GEISEL CONFIRMED THAT EXCESSIVE IMPORTS DURING 1974 WENT INTO INVENTORY ACCU-
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MULATION WHICH SHOULD BE DRAWN DOWN IN 1975, THUS HELPING THE BALANCE OF TRADE. THE RECENT OIL DISCOVERY OFF THE CAMPOS COAST HAD INCREASED THE CONFIDENCE OF INTERNATIONAL FINANCIAL CIRCLES IN BRAZIL, AND THE CHANCES TO OBTAIN FOREIGN FINANCING. FINALLY, AND MOST IMPORTANTLY, THE PRESIDENT NOTED THAT THERE ARE REAL POSSIBILITIES THAT IN A FEW YEARS BRAZIL CAN BE SELF SUFFICIENT IN THE ENERGY FIELD.

4. GEISEL MADE IT VERY CLEAR THAT A MAJOR PREOCCUPATION OF HIS ADMINISTRATION BEGINNING IN 1975 WILL BE SOCIAL DEVELOPMENT (EDUCATION, HEALTH, MASS TRANSIT AND LOW INCOME HOUSING) WHILE AT THE SAME TIME MOBILIZING THE POTENTIALS OF THE INTERNAL MARKET AS A WAY TO INSULATE BRAZIL FROM DANGEROUS FLUCTUATIONS IN INTERNATIONAL TRADE. HE ALSO STRESSED THE NEED TO DEVELOP MARGINAL AREAS WITH A VIEW TOWARD REDUCING REGIONAL DISPARITIES, WHICH REMAIN DESPITE EFFORTS THROUGH THE YEARS.

5. GEISEL DEFENDED THE COLLEGIATE STYLE OF HIS DECISION-MAKING MACHINERY. HE ADMITTED THAT THIS SYSTEM CAN AT TIMES BE SLOW-MOVING (AS SOME CRITICS HAVE MAINTAINED). BUT, HE STRESSED ON THE OTHER HAND, IT PERMITS

DIFFERENT VIEWS TO BE EXPRESSED WHICH ULTIMATELY
INCREASES TRUST.

6. IN REVIEWING ECONOMIC TRENDS FOR 1974, GEISEL
JUSTIFIED SOME OF THE DIFFICULT DECISIONS HIS GOVERNMENT
HAD TO TAKE ON THE GROUND THAT THE BRAZILIAN ECONOMY
HAD TO BE ADJUSTED TO THE INTERNATIONAL ECONOMIC
SITUATION. BUT HE SAID THAT THE FIRST PHASE HAS NOW
PASSED. INFLATION, WHICH WAS THE MAIN ECONOMIC PROBLEM
WHEN HIS ADMINISTRATION TOOK OVER, IS NOW UNDER CONTROL.
HE SEES THE PROBLEM OF THE SECOND PHASE AS ONE OF
MAINTAINING DEMAND.

7. ALTHOUGH GEISEL MADE NO MENTION OF A GROWTH TARGET
FOR 1975, HE LEFT LITTLE DOUBT THAT BRAZIL EXPECTS TO
MAINTAIN A RAPID GROWTH RATE AS COMPARED WITH OTHER
COUNTRIES. HE PRAISED THE BASIC STRENGTH OF THE
BRAZILIAN ECONOMY BY NOTING THAT IN 1974 IT GREW BY
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10 PERCENT DESPITE WORLDWIDE STAGNATION AND A RISE OF
PROTECTIONISM IN COUNTRIES WHICH TRADITIONALLY HAVE
FOLLOWED A FREE-TRADE PHILOSOPHY.

COMMENT: FOREGOING REMARKS WERE TAILORED
PRIMARILY TO PERK UP CONFIDENCE IN BRAZIL. WHILE
SPEECH HIGHLIGHTS MANY OF THE STRENGTHS AND POTENTIALS OF THE
BRAZILIAN ECONOMY, IT ONLY MENTIONS IN PASSING SOME OF ITS
PROBLEMS, PARTICULARLY ON THE BALANCE OF PAYMENTS FRONT. OVERALL,
GEISEL'S SPEECH WAS ESSENTIALLY A SUMMING UP OF POLICY STATEMENTS
MADE PREVIOUSLY BY FINANCE MINISTER SIMONSEN AND OTHERS. WITH
RESPECT TO GEISEL'S EMPHASIS ON THE IMPORTANCE OF ENHANCING SOCIAL
DEVELOPMENT AND INCREASING THE INTERNAL MARKET, THIS SEEMS TO BE
SOUND POLICY AT A TIME WHEN BRAZIL WILL HAVE DIFFICULTIES IN
EXPANDING ITS EXTERNAL MARKETS DUE TO THE WORLD-WIDE STAGNATION.
TO THE EXTENT THAT THIS POLICY "SHIFT" WILL ALSO ALLEVIATE SOME
OF BRAZIL'S LONG-NEGLECTED DOMESTIC PROBLEMS (SUCH AS A VERY
SKEWED INCOME DISTRIBUTION), IT WILL BE OF LONGER TERM
BENEFIT TO THE ECONOMY.
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